

CITY OF TACOMA
Pierce County, Washington
January 1, 1993 Through December 31, 1993

Schedule Of Federal Findings

1. Street Grant Reimbursement Claims Procedures Should Be Improved

As part of our audit of the 1993 Highway Planning and Construction Grant (CFDA 20.205) programs, we noted that reimbursement claims had not been prepared for many of the street projects. In some cases, unclaimed expenditures have existed from periods prior to 1992.

In mid-1993, the city compiled and submitted reimbursement requests for some of the unclaimed street project expenditures incurred through December of 1992. It was noted in the prior audit that several of these projects had been completed and closed since the previous claims and in some instances over a year had passed since project closure.

Only \$17,592 of the 1993 project costs were claimed during 1993. The estimated amount receivable from the Washington State Department of Transportation (WSDOT) at December 31, 1993, was \$1,711,623 which is an increase of over \$1 million from the 1992 amount.

The city believes the delay in preparing claims was caused by a problem in coding of expenditures and a turnover of staff in 1992.

According to the WSDOT *Local Agency Guidelines* manual, the city is allowed 90 days to claim final reimbursement once a project is completed and closed. Failure to submit a final reimbursement request within the specified time limits could serve to jeopardize both the expenditure claim and the city's status as a certification acceptance agency.

We recommend the city devote additional resources to the timely, regular preparation and submission of reimbursement claims for federal street programs.

2. City Should Repay Interest Earned On Federal Grant Advances

The City of Tacoma earned approximately \$4,400 of interest income on grant program advances received from Bonneville Power Administration (BPA) during 1993. The interest computed is in addition to amounts already reported and repaid to BPA. We reported the same exception in the 1992 audit.

The interest was earned on these moneys between the time of the wire transfer to the bank account and the posting to the Utilities Fund for use in grant programs. The average delay was approximately nine days and the interest earned was credited to the General Fund.

OMB Circular A-102, Attachment E, states in part:

Interest earned on advances of federal funds shall be remitted to the federal agency

By failing to promptly post the advances received from BPA, the city delayed the use of these funds for their intended purpose in the BPA conservation programs.

We recommend the city repay BPA the interest earned on the grant advances that were not posted timely. We further recommend the city promptly post all grant advances received to the appropriate city funds so that the grant programs can make use of the funds as soon as possible.

3. The City Should Properly Monitor Federal Community Development Block Grant Subrecipients

During our audit of the City of Tacoma's 1993 U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program (CFDA 14.218), we noted that the independent audit of one of the subrecipients of CDBG funds was not made in accordance with the Office of Management and Budget (OMB) Circular A-133.

While the city did require independent audits of the CDBG subrecipients, they did not monitor the audit reports and thus were not aware that this audit did not meet federal standards. In addition, the city took no other actions to determine if the expenditures of the subrecipient were in compliance with federal regulations.

The OMB "Common Rule" in paragraph 26 (b) requires a local government that receives federal financial assistance and provides \$25,000 or more of it in a fiscal year to a subgrantee must:

(2) Determine whether the subgrantee spent federal assistance funds provided in accordance with applicable laws and regulations. This may be accomplished by reviewing an audit of the subgrantee made in accordance with the [Single Audit] Act, Circular A-110 [replaced with Circular A-133], or through other means (e.g., program reviews) if the subgrantee has not had such an audit.

Unless there is adequate monitoring of subgrantee audit reports, the city cannot be assured that federal funds awarded have been spent in accordance with the general and specific requirements of the program.

We recommend the city review current subrecipient monitoring procedures to ensure the "Common Rule" requirements are met.

4. Written Agreements With HOME Grant Subrecipients Should Contain All Required Provisions

During our review of the City of Tacoma's 1993 U.S. Department of Housing and Urban Development (HUD) HOME Grant program (CFDA 14.239), we noted that the contract between the City of Tacoma and the Municipal Authority did not contain all the provisions required of subrecipient contracts in 24 CFR 92.504(c).

The city believed the requirement had been met by including language that incorporated all grant provisions by reference, however, many of the provisions require specific information such as task lists, completion schedules, and budgets.

Without the specific provisions required, the contract does not provide sufficient detail to monitor the performance of the subrecipient.

We recommend the city amend their contract for subrecipient of HOME grant funds to include all required provisions.

5. The City Should Improve Controls Over Federal Community Development Block Grant Reporting

During our audit of the City of Tacoma's 1993 U.S. Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) program (CFDA 14.218), we noted that the Rehabilitation Activities Report (Form HUD-4949.5) included in the June 30, 1993, Grantee Performance Report was incorrect.

According to HUD Handbook 6510.2, the form should provide information on single-unit and multi-unit rehabilitation activities carried out in whole or in part with CDBG funds. The city incorrectly included information pertaining to their Rental Rehabilitation Grant and the Home Grant programs on this form in addition to the CDBG information. We also noted that some of the amounts on the report were either not substantiated by accurate documentation or were not the information that was being requested.

Since the information from this form is ultimately submitted to Congress, it is important that it be accurate so as not to skew nation-wide program results.

We recommend the City of Tacoma correct the Rehabilitation Activities Report in the June 30, 1993, HUD Grantee Performance Report to include only CDBG activities and properly supported data.

6. The City Should Submit Accurate And Timely Federal HOME Grant Reports

During our review of the City of Tacoma's 1993 U.S. Department of Housing and Urban Development (HUD) HOME Grant program (CFDA 14.239), we noted that one of the Project Completion Reports (Form HUD-40097) submitted to HUD was not submitted within the 120 day requirement.

Per 24 CFR 92.502, a Project Completion Report must be submitted to HUD within 120 days of the final drawdown request for the project. If a satisfactory Project Completion Report is not submitted by the due date, HUD will suspend further project set-ups for the participating jurisdiction.

In addition, we noted that the Annual Performance Report (Form HUD-40107) was not complete and some information included on the form was incorrect. This form is required by 24 CFR 92.509(b) and is used for reporting Contracts with Minority Business Enterprises (MBE) and Women Business Enterprises (WBE), Minority Owners of Real Property, and Relocation and Real Property Acquisition by race/ethnicity. The portion of the form relating to MBE and WBE was incomplete and incorrect and the portion relating to Relocation and Real Property Acquisition did not contain the required statistics with regard to displaced persons.

Without accurate and timely information, HUD is not able to correctly aggregate the information and evaluate the various grant programs.

We recommend that the city review its current procedures and implement the necessary changes to ensure the timely and accurate reporting. We also recommend that the City of Tacoma correct the Annual Performance Report and resubmit it to HUD.